

BEFORE THE NATURAL GAS COMMODITY PRICE TASK FORCE

BEFORE:

Warren Wood
Tim Schwarz
Martha Hogerty
Dave Sommerer
Brenda Wilbers
Representative Carol Jean Mays
Rich Covach
Jeremiah Finnegan
Stuart Conrad

Missouri National Guard Armory
Jefferson City, Missouri
May 10, 2001

I N D E X

Opening
Bill Anthony
Dot Burks
Valetta Connor
Frank Ryck
Dan Engle
Marilyn DeFeo
Chris Hilgdeck

PROCEEDINGS

MR. WOOD: Thank you for coming to this public meeting of the Natural Gas Commodity Price Task Force. I know you all could have gone to a lot of other places this evening but chose to come here. I thank you for that. Our primary goal in this meeting is to hear your thoughts on how the current gas cost recovery process works, some ideas that the Task Force is considering for the future and any new ideas.

Then we'll talk about what the Task Force is looking at for options on how to change this process in the future, and then we'll talk about how the public portion of the meeting is going to run, and we'll turn this meeting over to you. (This portion was not transcribed at the request of the Task Force. The remaining transcribed are the comments of the public.)

MR. WOOD: We'll be calling people from the sign-up sheet that I noted earlier that was on the corner. In order to permit everybody to have a chance to speak, please try to keep your comments focused to concerns and criticisms and ideas we're considering for the future and as well as any new ideas you may have.

The resources of this group are not targeted to specific billing problems, disconnect notices or budget billing problems although as a policy issue, a general thought on how to improve that process, we can certainly take that thought into consideration.

Please work with your utility on specific issues or call the Public Service Commission's Consumer Department if necessary on those types of problems.

Also please try to keep your comments less than five minutes so everyone can have an opportunity to speak.

If someone has asked a question close to your own and it is answered, please wait to have a chance to to speak.

One question we want to ask is, do you generally prefer stable rates or the lowest possible rate?

What this means, is over a period of time how do you feel about spending some sort of premium to purchase price insurance or price risk insurance to limit your exposure to price spikes and possibly not be exposed to another winter like this over the long haul proportionally or do you prefer to ride the gap and not -- but be exposed to another price hike like we saw this winter.

If you'd rather not come up to the microphone either drop off with me your remarks at the end of the meeting or mail it to me at the noted address.

With that, let's go ahead and -- this is being taken down by a court reporter and we'll be providing your comments to the different subgroups of the Task Force for their consideration when developing these options for a recommendation.

The first person signed up was Bill Anthony.

MR. ANTHONY: Assuming the microphone is on -- thank you very much. And I'd like to just start off by saying that my comments will be very brief. They're not specific in nature and will be more general in nature because I think that there are others who will be speaking more specifically on certain issues than, than I will be.

The -- I personally want to commend you for taking the time to serve on a Task Force like this. I know that you have traveled a long distance and you have -- you have six of these scheduled I think, and I don't know whether this is the first of the six or the last of the six.

MR. WOOD: The third.

MR. ANTHONY: The third. Okay.

I did contact the Public Service Commission to find out if I could get a copy of this Attachment No. that you have on here just so I could be a little bit better informed about what maybe that you would be discussing tonight, but I was told that wasn't available at, at that time, and that was -- I made that contact this morning when, when I checked into that.

Ladies and gentlemen, I truly believe that we have an understanding that this is a tremendous problem and it is a complex problem; but I truly believe that there is the knowledge and the skill in

Missouri to solve this problem. I do also believe that it's going to take a lot of time; it's not going to be a quick fix thing.

I also believe that it's going to require a plan, a long-term plan and that that long-term plan be worked. I have some concerns -- and I don't mean for this to sound cynical; I intend for it to be realistic because this is the way I feel.

When I heard the introductions made, I noticed that there were a lot of representatives from the utilities on the Task Force, at least this part right here.

And this, ladies and gentlemen, concerns me because as I talk to the public and as I visit with the public and I see them, I can see and hear from them and know that the public trust has declined a little, and I also know that in order for a Task Force to come up with a workable plan, that you're going to have to have the public behind it; and I just am afraid that the public is not going to be behind it as they should when they see that it is top-heavy with utility company personnel because I think there is a lack of public trust.

And like I say, I don't mean for that to be cynical; I intend for it to be realistic, and I just honestly, honestly feel that way. As you work I sincerely hope that the Task Force will consider not only what the people that you listen to at these sessions say, but when you finish your report, I'd like to see what the utility companies are going to do, not just -- not just what the consumer is going to do, not just conservation, not just some issues like that, but what can we all do to solve the problem because the consumer cannot do it alone, the Public Service Commission can't do it alone.

We're going to have to have help from the utilities and, and the producers from the wells to the homes; and I think that's -- that's one of the things that, that I'm concerned about and one of the things that I'm going to be looking for when I see the results of the Task Force is what is everybody going to do?

How can we solve the problem that way? We spend a lot of money on public relations; and public relations is important and any business does it.

But the best public relations is public trust. And until we can get that public trust, then I think that it's going to be difficult to sell people on a plan when they don't have public trust in the utility companies, and that's a big concern.

Thank you very much. I appreciate your, your time.

MR. WOOD: Thank you very much, Bill.

MS. BURKS: Hi. My name is Dot Burks and I am here on behalf of Rescue, Organize and Grow organization, a non-profit organization that is mostly low income people --

MR. WOOD: I'm sorry. We can't hear you in the back here.

MS. BURKS: Okay. I represent and am here on behalf of Rescue, Organize and Grow, a non-profit organization that is mostly low income people with imparities to economic justice. Grow ideas respects low income families:

- . No more disconnect until more utility assistance is available for low income families;
- . No increase in connect and disconnect fees;
- . Stop the rate increases;
- . All utility companies should have their policy to match all the charitable gifts collected from the public;
- . Repay or forgiveness program;
- . Publish all utility profits and executives' salaries.

Thank you.

MR. WOOD: Thank you very much.

MS. CONNOR: I'm Varletta Connor. Everyone I know main concern is the budget billing. The budget billing works as they say, but when you get the bill it's a different thing. I can't understand why -- why do they do us like that?

Like he said, there's really no trust between us. I'm an Ameren UE consumer. I don't trust them as far as I can throw them. Every month they're sending me a disconnect notice and telling me that I owe one thing on the phone and I get the disconnect and it's another. I mean, what are we supposed to do?

MR. WOOD: Mr. Covach, do you have a consumer services representative to talk with this person?

MR. CONVACH: Yes.

MS. CONNOR: Where is the consumer services person?

MR. WOOD: Back over there in the back.

MS. CONNOR: What I'm having with the budget billing is this. I moved to a different residence in Jan -- in February.

They told me in February every month for months my bill would be \$. When I get it they're asking me for , \$ -- I don't have that kind of money. What am I supposed to do?

But they don't understand that -- can you borrow from a neighbor? Can you borrow it from a family member? Well, I'm not from here. I don't have anyone that I can borrow it from so I have to do the best that I can because I have children.

I work in a low income housing project. If our utilities are out more than five days, we're evicted, regardless. So I have to do whatever I can to get my utilities paid, and it's just like -- there's no end to it.

I mean, I thought I was through and then here I find out I'm still in the hole with them. You never get out. It's like a loan shark, you know. You never -- you really never get out of debt with them.

MR. CONRAD: Has your experience been that it has not worked forever?

MS. CONNOR: No. And a lot of people I talked to, budget billing is not working. We want it to be like one set -- you know, based on a percentage of your income instead of budget billing because budget billing is a rip-off.

If you get behind, it's like a loan -- there's a deferred payment and then there's your payment and then there's your budget billing, and so there you are -- if it comes to \$, if you don't have it, then you're just out of luck. Thank you.

MR. CONRAD: Thank you.

MR. WOODS: Frank Rycyk.

MR. RYCYK: I congratulate you. You're the first person that ever pronounced that accurately.

I'm going to change what I say to respond to Ms. Connor. I'm having a problem with budget billing not working also. I've got a balloon payment coming up, just maybe , \$ -- I don't know -- I have not gotten my balloon payment yet.

There are some glitches in this year's budget -- yeah, budget billing. There was an increase in budget billing, but the increase was not enough so when they came up with my new rate, I asked them to come up with an even higher rate because I don't want to be behind next year -- okay -- which leads to two notes I was going to either comment on or ask about.

I used to have the pleasure of being in a rural electric cooperative in Cole County. Okay. We're talking natural gas; we're not talking about electricity, but it's a similar concept. We heard the notices on the radio.

This is a peak demand alert, turn down your electricity use. I'm asking, wondering if there's any way that Ameren UE can notify us with natural gas usage when we are in a peak demand period such as that spike we saw on the graph in January ?

I'd switch over to more wood or something like that. I'd wear more coats. I'd turn my thermostat down if I was notified of this peak demand.

And the other thing is maybe more in the way of a question. I read the Wall Street Journal a lot, and there was a comment made, I believe by an Ameren UE gentleman -- I'm not sure -- about natural gas exploration.

And the tone of this article -- of course, it's the typical tone of a Wall Street Journal article -- we've got too many darn governmental regulations -- that there's a heck of a lot of natural gas out there that is prohibited from exploration.

And I'd appreciate it if somebody can comment on how much natural gas there is out there. We don't have as much as Russia and we don't have as much as Venezuela, but we have a heck of a lot more than Ameren UE can get their hands on, and I'd just appreciate some comments on this.

MR. WOOD: I believe within the states of United States it's my understanding there's about cubic feet of reserves, about trillion cubic feet of gas, and it's my understanding that that level is being used up at about pcf per year right now; and I think by that's expected to be up around pcf possibly.

And that's just within the states and within Canada. There's additional supplies. Mexico, there's additional supplies and with the prices where they are, their exploration is some liquified natural gas facility where we can receive gas from Venezuela, Ecuador, other places where they have relatively high gas reserve and low demand can actually be brought in.

The latest DIF I'd seen, the latest research for natural gas is something on the order of years' supply.

MR. RYCYK: I guess the question is, are there areas, perhaps in the western United States here, where there's natural gas there but here we're not permitted to drill for it?

MR. WOOD: Yes. There are areas on the West Coast, East Coast and Gulf of Mexico and in the Rockies, significant resources -- actually the last I'd seen, something on the order of a -year supply for natural gas in the Rockies. I'm not sure what the numbers work out if you looked at the east and west and Mexico and Rockies, but there are significant issues associated with developing those supplies, as you might imagine -- environmental insight.

But that is all of the public speakers that we had signed up, but I welcome additional speakers that would like to come up.

When you come up, I just need to make sure that we get your name for the court reporter.

MR. ENGLE: My name is Dan Engle, E-n-g-l-e. You saw me walk in the back door because I didn't even know how to get in this place, let alone find it.

I'm siding with Mrs. Connor in this respect. I've lived here for almost ten years and me and my wife are on a fixed income, but we do own our own home. We paid \$ every month on the basis for the last ten years, and it went down a little bit because we were ahead of the game.

And in November, we paid \$. I'm going to give you this as an example of what we had and what I think Mrs. Connor is facing.

Our usage was units -- whatever that is. In December they said that we used units. Now, we have not adjusted our, our thermostat. We haven't changed our manner of living. We're gone during the day. We keep our temperatures down around degrees in the wintertime and keep it at degrees in the summertime, and we have not made any changes the last ten years.

They say we used units there and our bill jumped from being \$. behind on our budget billing in November. They say we're about \$. behind in December and then -- and then for the January usage, they said we backed down units, and then we suddenly were up \$ behind, but they kept our budget billing the same, which is what I paid.

I had no -- if I'd have thought about it, I'd have paid \$ to Ameren UE gladly just to get up ahead of this. Then came our bill that we received in December or rather in February.

In February, for February our billing, they say we had a units, which was the same thing we had in January, but we wound up \$ behind on our budget billing and they still billed me for \$.

You see the discrepancy that Mrs. Connor, that Ms. Connor is going through, I was going through the same thing in that -- well, we started to get a little bit ahead, but in the bill for March, they suddenly increased my budget billing with no warning whatsoever. They said that I owed them \$.

They're trying to make up the shortfall that I owe them, I guess, and we're down to \$. And now, in April, they jumped my billing to \$. Now, every year for the last ten years they adjusted my budget billing in July and it would jump from \$ to \$. I expected that, but I can't budget with this, with anything at all.

I would gladly pay more on my budget billing if they would do the budgeting for me, but they're obviously not budgeting for me under this scenario.

I would even take an increase in December to make up for a shortfall for the winter months or so. Now, because I've been faced with this, I'm going to make a \$ or more -- in fact, I got it figured out that if I pay them two hundred and some odd dollars, I should not be behind; but if I was a gambling man, I wouldn't lay money on that.

So I think there's a problem for us people who are on the budget billing. I understand that, that there's a shortfall in gas, whatever the rates. And like I said, I wasn't here, but I've been keeping up on the news, and I understand what the problem is and that, but the end result is our billing, we're paying for this, and not everybody can pay under, in a steeply erratic method that they're using and this is just an example.

MR. WOOD: Thank you. Thank you.

MR. CONRAD: Mr. Engle, let me follow up. I think -- I think I'd be glad to let you see this and keep it but Warren, Mr. Wood here, when he started out, talked about that weatherproof bill system, and I don't -- let me quickly try to explain it to you.

What I'd like to do is ask if you would rather have something like that as an option. This would be where, where not the utility, but a third party would come in and they would look at your usage, at your home or at your business.

If you wanted to do that, they would look ahead at the gas, what they were projecting for gas costs; and they would come back to you with a piece of paper with their computer analysis on it, and say, okay, for this much per month, flat fee for a year or for two years or whatever you worked out with them, they would accept the risk of the fluctuation that you're talking about.

Now, my question to you is -- I'm not selling that -- please don't misunderstand, but if a utility was able to provide something like that, or some third party was able to provide that as an option, would you be willing to pay a little bit more -- I don't know what that little bit more would be, but likely a couple dollars a month or some premium for that so you would then have the assurance that the bill is always going to be \$ and whatever cents it is a month across the board?

MR. ENGLE: Sir, I would be willing to -- and I said that when I talked. I would be willing to pay more. I would be willing to raise my budget billing price on here as much as percent if that's what it takes, but I need to know how much I'm going to have to pay each month; and I've done everything I can in the house.

We put on a new roof. We reinsulated and we put all new windows in this house, and we got a new hot water heater, brand new furnace and new air conditioner; and I got jacked up like this so I think they need to do something and look at their budget billing policies or bill policies in otherwise.

MR. WOOD: Thank you. Would you like to come up again?

MS. CONNOR: I have a question. Is that guaranteed or -- would that rate be guaranteed?

MR. CONRAD: That's one of the options we'd be looking at. Now that third party, please understand --

MS. CONNOR: I understand what you're saying.

MR. CONRAD: They would probably charge you a little bit more because they're telling -- they're, in fact, taking that risk, but in exchange for it they're guaranteeing.

VOICE: Why can't it be on the shortfall?

MS. CONNOR: Why can't it be based on our income instead of budget billing -- be based on our income?

MR. COVACH: I think the best answer I can give you on that is sometimes, No., based on verification; No., there are various agencies available for assistance on an income basis, and there are also various programs we do offer.

MS. CONNOR: Like what?

MR. COVACH: Ms. Beck would perhaps be able to give you the names of those, but there are programs available; but we cannot as a general rule base everybody's charge on an income level, but there are assistance programs to help people that do need assistance.

MS. CONNOR: Not now.

MR. COVACH: We'll need to talk about that.

MS. CONNOR: Would they consider like a stay or something? We could get some money to the program so people can go in and get utilities paid because right now if you are low income and you have no money and you get a disconnect notice, you're as good as disconnected because there is no money no matter.

MS. HOGERTY: Do you take advantage of the low income assistance?

MS. CONNOR: If I need it; if I need it.

MS. HOGERTY: There is.

MS. CONNOR: Yeah, in the past, but I do it only if I need it because we all need help sometimes Yeah, I understand what you're saying.

MS. HOGERTY: There is some more money being appropriated by our State legislature to help with their utility bills and for the winter.

MS. CONNOR: For the winter?

MS. HOGERTY: For this last winter because they have such high bills, but the second question you asked, about income plans, there are such states that have special programs or special rates for low income.

And I think one of the things we're looking at here is low income approaches to that. In fact, my office has proposed one of these kinds of approaches in a rate case that we have. I'm not -- it has to be approved by the Public Service Commission but it's not -- it is not all of the -- it affects several states.

MS. CONNOR: I know like in Kansas you can do community service work. Has anybody thought about it here?

MR. WOOD: That is under the Arthur (phonetic sp) Service. This is like Pipe and Kentucky Cap program. There are some programs out there -- and Illinois has a hands-up program where they can do community service and pay off their -- I think it's \$ per hour, community service, that kind of thing.

And that's one of the options that is under this Task Force's consideration.

MS. CONNOR: Can Ameren UE tell why these bills are doing like this? Why does this bill seem to compound so it's just always more than what you expect? We had three people -- I know I got calls about this -- they got turned off.

Okay. If I can just get \$ together, and they get there, now the bill is and with the shutoff, now it's . How can it be when they haven't had a thing going in their house?

MR. COVACH: During this last winter, as Mr. Wood indicated, there were some significant differences from the weather in January, December and November.

MR. WOOD: December was worse.

MR. COVACH: As one of the other speakers indicated, I believe there were some changes in the budget billing program earlier in the year; and those changes were made in an effort to address exactly what a couple of people asked for, to get to a level where the customer would pay that other amount and be whole after a -month period.

Now, if you -- if you have your own specific bill that you'd like to talk about a little bit more, we'd be happy to hang around and discuss that bill with you and try to get you some answers and that, that is like everybody else who maybe asked about a specific thing involving their bill -- we have someone here and we'll take down the information, and we'll get back to you.

MS. CONNOR: The specific question is, how can you owe , and then two weeks later you finally get the money together and you go in there, it's ?

I don't understand how it can be at that during the time of the shut off.

MR. COVACH: I would have to look at the particulars in your case and I'm sure there's an explanation. I can't answer it without looking at the particulars, I'm sorry.

MRS. DEFEO: Marilyn DeFeo. I am working with a charity, Director of a charity here in town, and what these people are expressing is a real symptom and a real problem.

Many of them are not understanding when it says budget billing, it should be budget billing every month but, of course, the costs have gone up and, of course, that budget billing has doubled, and they

can't afford to pay the double but they pay what they can pay, and now that's why it's built up, and that's why they have the shut-off notice.

And it seems to me that maybe utility companies do need to look at the low income family -- many people, you know, are Welfare to Work. They're gone. They're working but they're not making just salaries, enough salary to support, especially a woman with children, single people or single father, so I would encourage you in your Task Force to look at this problem because it's the low income person, that Missouri citizen that doesn't have a voice, that's suffering. Thank you.

MR. WOOD: Thank you very much, ma'am.

Do we have any other folks that would like to come to the microphone? You're more than welcome to come up -- on up. Your thoughts will be taken down by our court reporter and given to all of the task force members for our consideration.

Since we have no more speakers, I'll go ahead and close this meeting.

MS. HILGDECK: I'm Chris Hilgdeck, and I'm with the Jefferson City Tribune, but I also live on a family farm in Boone County, and we have fairly significant fuel bills.

And basically what I was wanting to know about is the relationship the PSC has developed with the suppliers, and none of the gas industry people really live in our state. They're in Oklahoma; they're in Texas; they're elsewhere.

And so I get the sense that Ameren UE and the PSC have a good relationship and see each other and know each other's relationship and things like that, but I don't get the sense that you guys have that same relationship with the people out of the state; and it seems like, you know, the government has some responsibility because natural gas is, is not a luxury item.

It's really a necessity to have the -- they have a job to be able to predict demand, to tell people what it's going to be next year. And when suppliers don't know what the demand was, we had these huge supply problems -- well, not huge. Well, we had supply problems.

And I just wanted to know if the government agencies are available to give that kind of information to private industry so they cannot use that as an excuse because I was at home this afternoon reading a personal finance magazine and the lead article was investing in natural gas stocks.

They're doing well, which is probably good advise at this point but in essence because it's not a luxury item, that shouldn't necessarily be the case.

I mean just to be fair to everyone that lives in this country, what's your response?

MR. WOODS: Tim, would you like to answer that?

MR. SCHWARZ: I'll give it a shot. My name is Tim Schwarz. I'm a lawyer with the PSC.

And you're generally correct. Certainly at the State level we do not have regular contact with natural gas producers. Up until 1989, much of the natural gas supply in the country was price regulated by the Federal government, the Federal agency that regulated gas prices of the Federal Energy Regulatory Commission.

In 1978, the Federal government started a move to deregulate the wellhead price of gas. That is what producers could charge consumers, and you may remember back in the early and mid 70s there were shortages of natural gas. I know that down in the Bootheal here in Missouri, the local gas company wouldn't hook up new customers because they couldn't obtain new natural gas supplies to provide those customers with service.

It was a natural problem and the wisdom of Congress was that, that the solution was to start a movement toward a market price for natural gas which would increase supplies and, in fact, supplies from that period to this period have increased; but, of course, so have the prices.

During the -- during the 1990s, the early part of the 90s, natural gas prices were relatively low. In terms of inflation adjustment, they were probably lower than they were in the early 70s -- that is between 1990 and say March of last year, natural gas prices averaged between a dollar seventy-five and two and a quarter somewhere in that range, with a very brief, maybe two week exception in December and January of '96 and January of '97, when gas prices had a little spike up to about \$4 because of great concern and that changed suddenly, but the regulation of natural gas has always been on the

national level because it's produced in Kansas and Oklahoma and Louisiana and Texas. Much of it is actually produced on Federal lands, either lands to home in producing regions or the continental shelf off of the coast.

So the control of natural gas prices has always been something that was -- I say always -- beginning in the 1930s with the Federal Power Act and the Natural Gas Act was a concern of the federal government. There is nothing that the state of Missouri can do directly to tell citizens from Kansas or a citizen in Oklahoma what they can charge for their natural gas.

You know, it's good to note that the administration, the Federal administration is going to announce its energy plan next week, and, you know, all of the leaks and whatnot, I think that they will have a substantial emphasis on increasing the supply, I think, with the hope that they will moderate prices. I don't know that anyone's expecting to see \$2 gas again in the near future. It's -- it's dropped from the nine dollar and ninety level from January to probably four fifty, something like that, on a year-around basis now.

But again, if we have a hot summer, and, and the electric utilities use a lot of natural gas to generate electricity, that will have a tendency to drive up the price.

And then again the winter weather will have an affect as well, but as far as direct leverage on producers, there's almost nothing that the State of Missouri can do.

MR. WOOD: I also heard your question in terms of estimating and forecasting gas prices. One is the Department of Energy, and Energy has prices of natural gas use amounts. Now the American Gas Association does not estimate prices but they estimate usages.

Now, in terms of the Energy Administration, they do give gas deposits going into winter. Those are based on a number of costs going into the unit prices up to about \$6 per cubic feet. Of course, that was only as good as the weather, whether we say explored or whether we say prices that exceed that.

MR. CONRAD: To follow-up on the young lady's question, if you look at chart 2 at the very bottom of it -- like everything else, sometimes the secret is in the fineprint -- way down at the bottom, the very last line you see the phrase NYMEX. That stands for New York Mercantile Exchange. That's the futures market for natural gas.

Now, Ms. Hildeck, if you're working, connected with a family farm, you know what futures prices and soybeans and corn and grain products and other kind of things are. They are an indicator of what the future price is going to be sometimes in months, sometimes six months, maybe a year or more. That's what that exchange is.

And that's another tool that the gas companies use to try to predict, if you will, what the price is going to be, is they look out and see what the futures market is going to be. I don't know if that helps you.

MR. WOOD: Do we have anybody else that would like to come up and speak at the microphone?

Okay. Since we have no more speakers, I'll go ahead and close this meeting and thank you all again for attending. I hope you found this to be informative. Your thoughts and ideas have been taken down by the court reporter and will be forwarded to all of the members of the Task Force.

For those of you who had concerns with different billing problems, please stay after the meeting and meet with consumer service from Ameren UE and let's try to talk through some of those problems you may be experiencing.

Thank you again for coming and have a safe ride home.

(Adjourned)

C E R T I F I C A T E

STATE OF MISSOURI)

) ss

COUNTY OF COLE)

I, Patricia Rowe Kerr, CSR, CCR, RPR and
Notary Public in and for the State of Missouri hereby
certify that the foregoing hearing was transcribed to
the best of my ability.

Patricia Rowe Kerr, CSR, CCR, RPR